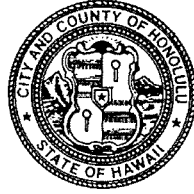


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

PETER B. CARLISLE
MAYOR



April 12, 2011

RECEIVED

2011 APR 12 AM 9:40

MICHAEL R. HANSEN
DIRECTOR

CITY COUNCIL
HONOLULU, HAWAII

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CITY CLERK
C & C OF HONOLULU
2011 APR 12 AM 10:10

The Honorable Ernest Y. Martin, Chair
and Members of the Budget Committee
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

We are not opposed to the intent of Bill 2 (2011), which provides four options addressing the exemption for historic residential properties. The first option repeals the exemption permanently and provides a one year grandfather period for existing exemptions. The second option repeals the exemption until January 1, 2016, at which time the exemption would be restored in its current form. The third option replaces the 100% exemption for the historic properties with a percentage of the property value not yet determined. The fourth option replaces the exemption for historic properties with a tax credit for the rehabilitation and restoration of qualified residential historic structures.

Option four would only give a benefit to those who undergo restoration projects, which in some cases may have been the result of deferred maintenance or negligence.

It appears that those who diligently maintain their property will not receive a benefit under this bill. Also, the tax credit is based on expenditures in the previous year. If all of the work is done in one year, it would be a one time credit. If it is spread out over several years, the owner would have to submit their expenditures annually.

While we take no position for options one, two, or three, we do have concerns regarding option four. Option four would require additional city resources to determine which rehabilitation and restoration work would qualify for the annual tax credit and would result in increased administrative costs to the city.

The Honorable Ernest Y. Martin, Chair
and Members of the Budget Committee
April 12, 2011
Page 2

Please call me at 768-3901 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Hansen", with a long horizontal flourish extending to the right.

Michael R. Hansen, Director
Budget and Fiscal Services

MRH:dw

cc: Real Property Assessment Division

APPROVED:

A handwritten signature in black ink, appearing to read "Douglas S. Chin", with a long horizontal line extending to the right.

Douglas S. Chin
Managing Director